

**Blinkit drives outperformance**

Information Technology ▶ Result Update ▶ February 8, 2024

**TARGET PRICE (Rs): 170**

Zomato posted another quarter of impressive execution, with growth across segments. Food delivery GOV grew 6.3% QoQ, but fell short of our/ company's own expectations given the muted demand environment. Food delivery contribution margin improved further to 7.1%, aided by ad-monetization and platform fee. Blinkit continued its stellar run with GOV growing 28% QoQ, coupled with further reduction in losses. Blinkit is on track to turn adjusted EBITDA breakeven on or before Q1FY25, according to the management. The company now expects consolidated adjusted revenue to grow at 50%+ YoY in the next few quarters, with Blinkit doing the heavy lifting. We increase our FY25-26E EPS by 1-2% factoring-in Q3 performance, and revenue mix change. With better clarity emerging on product-market fit and roadmap to profitability for Blinkit, we now value it at 1x FY26 GOV, compared to book value earlier. We retain BUY with a TP of Rs170 (earlier Rs140) on SOTP basis, valuing the food delivery business at Rs119/sh (DCF basis), Blinkit at Rs36/sh (1x FY26E GOV); and cash and other investments at Rs15/sh (book value).

**Zomato: Financial Snapshot (Consolidated)**

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	41,924	70,792	120,287	170,400	222,408
EBITDA	(18,508)	(12,105)	861	14,336	26,397
Adj. PAT	(15,061)	(9,716)	3,487	12,524	22,185
Adj. EPS (Rs)	(1.7)	(1.1)	0.4	1.4	2.4
EBITDA margin (%)	(44.1)	(17.1)	0.7	8.4	11.9
EBITDA growth (%)	NM	NM	NM	1,565.3	84.1
Adj. EPS growth (%)	NM	NM	NM	259.1	88.0
RoE (%)	(12.2)	(5.4)	1.8	6.1	10.0
RoIC (%)	(131.5)	(41.1)	(7.9)	13.1	32.6
P/E (x)	(87.0)	(135.4)	377.3	105.1	59.3
EV/EBITDA (x)	(64.5)	(99.5)	1,388.0	82.1	43.6
P/B (x)	7.9	6.8	6.6	6.2	5.7
FCFF yield (%)	(0.7)	(0.8)	0.4	1.2	1.9

Source: Company, Emkay Research

**Results Summary**

Zomato reported revenue growth of 15.4% QoQ to Rs32.9bn, slightly ahead of our estimate of Rs32.2bn. All segments contributed to growth sequentially, with Food Delivery/Hyperpure/Quick Commerce/Going Out growing 10.2%/15.3%/27.5%/49%, respectively. Food Delivery GOV grew 6.3% QoQ, which was lower than the company's expectations on account of the muted demand environment. Average monthly transacting users grew 2.2% QoQ to 18.8mn. Blinkit GOV grew 28% QoQ, aided by healthy demand during the festive season. Overall adjusted revenue grew 11.8% QoQ to Rs36.1bn. Contribution margin in food delivery improved to 7.1% from 6.6% in Q2, aided by better ad monetization and platform fee. Blinkit's contribution margin improved to 2.4% from 1.3% in Q2. Adj. EBITDAM as % of GOV increased to 3% for food delivery (vs. 2.6% QoQ) and -2.5% for Blinkit (vs. -4.5% QoQ). Overall, adjusted EBITDA margin improved to 3.5%, compared to 1.3% in Q2. **What we liked:** Strong growth and execution in Blinkit, healthy OCF in 9MFY24. **What we did not like:** Muted consumer demand leading to lower-than-expected food delivery GOV growth.

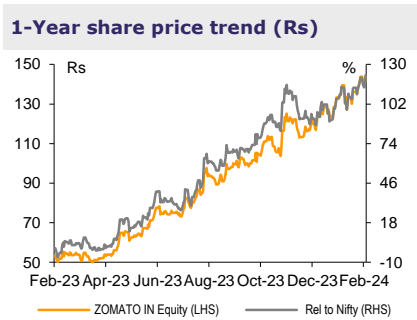
**Earnings Call KTAs**

i) Company expects overall adjusted revenue to grow over 50% in the next few quarters and remains confident of growing overall adjusted revenue by 40%+ in the medium term. ii) It expects food delivery GOV to continue growing 20%+ YoY, and accelerate further with market share gains and revival of consumer demand. iii) Food delivery take rate (revenue as a % of GOV) inched up 70bps QoQ, aided by increase in platform fees, advertisement revenue, and commissions. iv) Management highlighted that focus remains on better conversion of ATU to MTU and adding new customers. v) Management suggested that company usually opens a new dark store in the same neighborhood, when utilization of the existing store reaches ~50-60%. vi) Fixed costs for food delivery increased sequentially due to higher seasonal marketing spends (world cup, festivals), and investments in server and tech infrastructure. vii) Blinkit's sequential GOV was driven by an uptick in demand due to festivals, right assortment mix, and high-service levels via minimal stockouts, and adequate availability of delivery partners. viii) Despite the company adding 40 net-new dark stores (up ~10% QoQ), avg. GOV per-day, per-store grew 17% QoQ, reflecting healthy SSG. ix) In Q3, 70% of dark stores were contribution positive (60% in Q2) and ~20% were operating at a 5%+ contribution margin, creating room for investing in new stores, while also continuing to improve aggregate contribution margin. x) Company is setting up a plant for processing value-added food supplies, including sauces, spreads, pre-cut, and semi-finished perishable products among others. It does not expect any significant capex and suggested an attractive payback for the same.

Target Price – 12M	Dec-24
<b>Change in TP (%)</b>	<b>21.4</b>
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	18.0
CMP (08-Feb-24) (Rs)	144.1

Stock Data	Ticker
52-week High (Rs)	148
52-week Low (Rs)	49
Shares outstanding (mn)	8,710.9
Market-cap (Rs bn)	1,255
Market-cap (USD mn)	15,131
Net-debt, FY24E (Rs mn)	-120,885
ADTV-3M (mn shares)	66
ADTV-3M (Rs mn)	8,273.0
ADTV-3M (USD mn)	99.7
Free float (%)	48.0
Nifty-50	21,718
INR/USD	83.0
<b>Shareholding, Dec-23</b>	
Promoters (%)	-
FPIs/MFs (%)	54.9/15.5

Price Performance				
(%)	1M	3M	12M	
Absolute	8.5	15.1	165.4	
Rel. to Nifty	7.4	3.1	118.4	



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**Exhibit 1: Quarterly snapshot**

(Rs mn)	Q3 FY24	Q2 FY24	QoQ (%)	Q3 FY23	YoY (%)
Food delivery GOV	84,860	79,800	6.3	66,800	27.0
Blinkit GOV	35,420	27,600	28.3	17,490	102.5
Net sales	32,880	28,480	15.4	19,482	68.8
Operating expenses	32,370	28,950	11.8	23,144	39.9
EBITDA	510	(470)	(209)	(3,662)	(114)
Margins (%)	2	(2)	320	(19)	2,030
Depreciation	1280	1280		1548	
EBIT	(770)	(1,750)	(56)	(5,210)	(85)
Margins (%)	(2)	(6)	380	(27)	2,440
Interest Paid	180	160		161	
Other income	2190	2120		1734	
Non-recurring items	0	0		0	
Pre-tax profit	1,240	210	490	(3,637)	(134)
Tax provided	-140	-150		-171	
Profit after tax	1,380	360		(3,466)	
Minority	-	-		-	
Emkay Net profit	1,380	360	283	(3,466)	(140)
EPS (Rs)	0.2	0.0	300.0	(0.4)	(138.1)

Source: Company, Emkay Research

**Exhibit 2: Actuals vs estimates**

(Rs mn)	Actual	Emkay Estimate	Consensus Estimate	Variation		Comment
				Emkay	Consensus	
Net sales	32,880	32,231	30,998	2.0%	6.1%	Revenue growth came ahead of estimates, on the back of all-round outperformance.
EBIT	(770)	(766)	(1,092)	NM	NM	EBIT missed estimates due to higher ESOP costs.
EBIT, margin (%)	-2.3%	-2.4%	-3.5%	0 bps	120 bps	
PAT	1,380	934	861	47.8%	60.3%	PAT beat estimates due to higher other income and tax reversals.

Source: Company, Bloomberg, Emkay Research

**Exhibit 3: Changes in estimates**

(Rs mn)	FY24E			FY25E			FY26E		
	Old	New	Change	Old	New	Change	Old	New	Change
Net sales	118,733	120,287	1.3%	168,117	170,400	1.4%	217,435	222,408	2.3%
YoY growth (%)	67.7%	69.9%		41.6%	41.7%		29.3%	30.5%	
EBIT	-4,553	-4,117	NM	9,318	9,356	0.4%	20,939	21,021	0.4%
EBIT margins (%)	-3.8	-3.4		5.5	5.5		9.6	9.5	
Net profits	2,706	3,573	32.1%	12,365	12,596	1.9%	21,918	22,191	1.2%
EPS (Rs)	0.3	0.4	32.1%	1.4	1.4	1.9%	2.4	2.4	1.2%

Source: Company, Emkay Research

**Exhibit 4: SoTP-based valuation**

Particular (in bn)	Methodology	Rs bn	Per share	Remarks
Valuation of food delivery business	DCF	1,089	119	
Valuation of Quick commerce business	GOV multiple (1x on FY26)	325	36	This implies ~5x of its FY26E revenue; Avenue Supermart trades at ~3.3x based on consensus estimate. We believe ~50% premium is justified, due to superior growth profile.
Valuation of cash and other investments	Book value	136	15	
<b>Total equity value (Rs bn)</b>		<b>1,549</b>	<b>170</b>	

Source: Company, Bloomberg, Emkay Research

## Zomato: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
<b>Revenue</b>	<b>41,924</b>	<b>70,792</b>	<b>120,287</b>	<b>170,400</b>	<b>222,408</b>
Revenue growth (%)	110.3	68.9	69.9	41.7	30.5
<b>EBITDA</b>	<b>(18,508)</b>	<b>(12,105)</b>	<b>861</b>	<b>14,336</b>	<b>26,397</b>
EBITDA growth (%)	0.0	0.0	0.0	1,565.3	84.1
Depreciation & Amortization	1,503	4,369	5,071	5,070	5,376
<b>EBIT</b>	<b>(20,011)</b>	<b>(16,474)</b>	<b>(4,210)</b>	<b>9,266</b>	<b>21,021</b>
EBIT growth (%)	0.0	0.0	0.0	0.0	126.9
Other operating income	0	0	0	0	0
Other income	4,949	6,815	8,170	8,371	9,701
Financial expense	120	487	741	939	1,143
<b>PBT</b>	<b>(15,182)</b>	<b>(10,146)</b>	<b>3,219</b>	<b>16,698</b>	<b>29,580</b>
Extraordinary items	2,974	1	0	0	0
Taxes	20	(436)	(268)	4,175	7,395
Minority interest	138	(3)	0	0	0
Income from JV/Associates	3	(3)	0	0	0
<b>Reported PAT</b>	<b>(12,087)</b>	<b>(9,715)</b>	<b>3,487</b>	<b>12,524</b>	<b>22,185</b>
PAT growth (%)	0.0	0.0	0.0	259.1	77.1
<b>Adjusted PAT</b>	<b>(15,061)</b>	<b>(9,716)</b>	<b>3,487</b>	<b>12,524</b>	<b>22,185</b>
<b>Diluted EPS (Rs)</b>	<b>(1.7)</b>	<b>(1.1)</b>	<b>0.4</b>	<b>1.4</b>	<b>2.4</b>
Diluted EPS growth (%)	0.0	0.0	0.0	259.1	88.0
<b>DPS (Rs)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Dividend payout (%)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
EBITDA margin (%)	(44.1)	(17.1)	0.7	8.4	11.9
EBIT margin (%)	(47.7)	(23.3)	(3.5)	5.4	9.5
Effective tax rate (%)	(0.1)	4.3	(8.3)	25.0	25.0
<b>NOPLAT (pre-IndAS)</b>	<b>(20,037)</b>	<b>(15,766)</b>	<b>(4,561)</b>	<b>6,950</b>	<b>15,766</b>
Shares outstanding (mn)	7,871.9	8,553.5	8,604.4	8,604.4	8,604.4

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	(15,182)	(10,146)	3,219	16,698	29,580
Others (non-cash items)	5,961	3,771	2,001	799	(1,226)
Taxes paid	(192)	(308)	268	(4,175)	(7,395)
Change in NWC	2,483	(1,759)	626	987	1,047
<b>Operating cash flow</b>	<b>(6,930)</b>	<b>(8,442)</b>	<b>6,114</b>	<b>14,310</b>	<b>22,006</b>
Capital expenditure	(572)	(1,014)	(1,108)	(1,322)	(1,512)
Acquisition of business	(209)	(607)	0	0	0
Interest & dividend income	1,126	4,904	7,570	7,771	9,101
<b>Investing cash flow</b>	<b>(79,378)</b>	<b>4,573</b>	<b>12,634</b>	<b>2,449</b>	<b>(3,411)</b>
Equity raised/(repaid)	90,000	40	0	0	0
Debt raised/(repaid)	(13)	(231)	(404)	0	0
Payment of lease liabilities	(298)	(1,055)	0	0	0
Interest paid	(7)	(93)	0	0	0
Dividend paid (incl tax)	0	0	0	0	0
Others	(2,184)	65	(4,500)	(3,500)	(2,500)
<b>Financing cash flow</b>	<b>87,498</b>	<b>(1,274)</b>	<b>(4,904)</b>	<b>(3,500)</b>	<b>(2,500)</b>
Net chg in Cash	1,190	(5,143)	13,844	13,259	16,096
OCF	(6,930)	(8,442)	6,114	14,310	22,006
Adj. OCF (w/o NWC chg.)	(4,447)	(10,201)	6,740	15,297	23,053
FCFF	(7,502)	(9,456)	5,006	12,988	20,494
FCFE	(6,496)	(5,039)	11,835	19,820	28,453
OCF/EBITDA (%)	37.4	69.7	710.2	99.8	83.4
FCFE/PAT (%)	53.7	51.9	339.4	158.3	128.3
<b>FCFF/NOPLAT (%)</b>	<b>37.4</b>	<b>60.0</b>	<b>(109.8)</b>	<b>186.9</b>	<b>130.0</b>

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	7,643	8,364	8,364	8,364	8,364
Reserves & Surplus	157,412	186,234	189,721	202,245	224,430
<b>Net worth</b>	<b>165,055</b>	<b>194,598</b>	<b>198,085</b>	<b>210,609</b>	<b>232,794</b>
Minority interests	(66)	(66)	(66)	(66)	(66)
Deferred tax liability (net)	0	0	0	0	0
<b>Total debt</b>	<b>0</b>	<b>404</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total liabilities &amp; equity</b>	<b>164,989</b>	<b>194,936</b>	<b>198,019</b>	<b>210,543</b>	<b>232,728</b>
Net tangible fixed assets	509	2,085	2,332	2,647	3,055
Net intangible assets	799	9,905	7,710	5,690	3,670
Net ROU assets	642	4,272	5,032	5,690	6,137
Capital WIP	6	75	1	1	1
Goodwill	12,093	47,166	47,166	47,166	50,597
Investments [JV/Associates]	30,860	22,796	21,624	21,624	21,624
<b>Cash &amp; equivalents</b>	<b>117,504</b>	<b>112,041</b>	<b>120,885</b>	<b>138,144</b>	<b>165,239</b>
Current assets (ex-cash)	10,857	17,647	19,559	25,340	31,350
Current Liab. & Prov.	8,281	21,051	26,289	35,757	45,514
<b>NWC (ex-cash)</b>	<b>2,576</b>	<b>(3,404)</b>	<b>(6,730)</b>	<b>(10,417)</b>	<b>(14,164)</b>
<b>Total assets</b>	<b>164,989</b>	<b>194,936</b>	<b>198,019</b>	<b>210,543</b>	<b>232,728</b>
Net debt	(117,504)	(111,637)	(120,885)	(138,144)	(165,239)
Capital employed	164,989	194,936	198,019	210,543	232,728
<b>Invested capital</b>	<b>16,619</b>	<b>60,024</b>	<b>55,509</b>	<b>50,774</b>	<b>45,863</b>
BVPS (Rs)	18.1	21.3	21.7	23.1	25.5
Net Debt/Equity (x)	(0.7)	(0.6)	(0.6)	(0.7)	(0.7)
Net Debt/EBITDA (x)	6.3	9.2	(140.4)	(9.6)	(6.3)
Interest coverage (x)	0.0	(0.1)	0.2	0.1	0.0
<b>RoCE (%)</b>	<b>(12.2)</b>	<b>(5.4)</b>	<b>2.0</b>	<b>8.6</b>	<b>13.9</b>

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	(87.0)	(135.4)	377.3	105.1	59.3
P/CE(x)	0.0	0.0	153.8	74.8	47.7
P/B (x)	7.9	6.8	6.6	6.2	5.7
EV/Sales (x)	28.5	17.0	9.9	6.9	5.2
EV/EBITDA (x)	(64.5)	(99.5)	1,388.0	82.1	43.6
EV/EBIT(x)	0.0	0.0	0.0	118.9	51.1
EV/IC (x)	61.2	18.7	20.2	21.7	23.4
FCFF yield (%)	(0.7)	(0.8)	0.4	1.2	1.9
FCFE yield (%)	(0.6)	(0.4)	1.0	1.6	2.3
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
<b>DuPont-RoE split</b>					
Net profit margin (%)	(35.9)	(13.7)	2.9	7.3	10.0
Total asset turnover (x)	0.3	0.4	0.6	0.8	1.0
Assets/Equity (x)	1.0	1.0	1.0	1.0	1.0
<b>RoE (%)</b>	<b>(12.2)</b>	<b>(5.4)</b>	<b>1.8</b>	<b>6.1</b>	<b>10.0</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	(47.8)	(22.3)	(3.8)	4.1	7.1
IC turnover (x)	2.8	1.8	2.1	3.2	4.6
<b>RoIC (%)</b>	<b>(131.5)</b>	<b>(41.1)</b>	<b>(7.9)</b>	<b>13.1</b>	<b>32.6</b>
<b>Operating metrics</b>					
Core NWC days	22.4	(17.6)	(20.4)	(22.3)	(23.2)
<b>Total NWC days</b>	<b>22.4</b>	<b>(17.6)</b>	<b>(20.4)</b>	<b>(22.3)</b>	<b>(23.2)</b>
Fixed asset turnover	2.1	1.5	1.7	2.3	2.8
Opex-to-revenue (%)	131.6	97.4	75.2	64.8	59.6

Source: Company, Emkay Research

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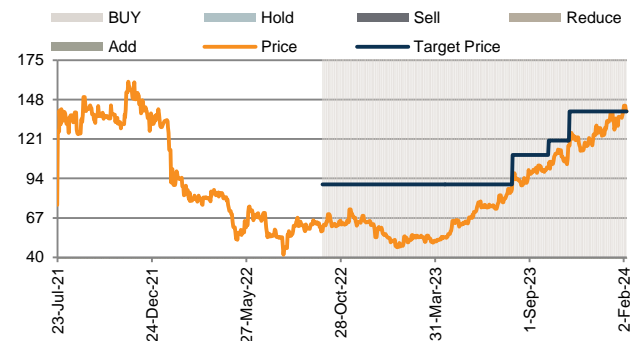
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## RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
31-Dec-23	124	140	Buy	Dipeshkumar Mehta
30-Nov-23	119	140	Buy	Dipeshkumar Mehta
29-Nov-23	117	140	Buy	Dipeshkumar Mehta
05-Nov-23	117	140	Buy	Dipeshkumar Mehta
02-Oct-23	102	120	Buy	Dipeshkumar Mehta
04-Aug-23	95	110	Buy	Dipeshkumar Mehta
02-Jul-23	75	90	Buy	Dipeshkumar Mehta
20-May-23	65	90	Buy	Dipeshkumar Mehta
01-Apr-23	51	90	Buy	Dipeshkumar Mehta
10-Feb-23	53	90	Buy	Dipeshkumar Mehta
02-Jan-23	60	90	Buy	Dipeshkumar Mehta
11-Nov-22	73	90	Buy	Dipeshkumar Mehta
04-Oct-22	64	90	Buy	Dipeshkumar Mehta
28-Sep-22	58	90	Buy	Dipeshkumar Mehta

Source: Company, Emkay Research

## RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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